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Delta Re case settled for \$17.5 million; approved creditor claims will be paid

FRANKFORT, Ky. - Franklin Judge William L. Graham has approved a Delta Re settlement agreement calling for \$17.5 million to be paid to the estate of the insolvent company and distributed to creditors, Insurance Commissioner Janie A. Miller, the Delta Re liquidator, announced today.

This action marks the latest chapter in a liquidation process that began in 1985 when Delta America Re Insurance Co., a Kentucky property and casualty insurer with administrative offices in New York City, was declared insolvent and placed in liquidation by the Franklin County Circuit Court.

The court placed Delta Re in liquidation after a state Department of Insurance investigation into the company's financial condition. The insurance commissioner at that time was appointed as liquidator of Delta Re with the responsibility of winding up the affairs of the company, including marshaling the assets of the estate and distributing them to creditors. As part of process, civil actions that included charges of mismanagement were initiated against the former owner and management.

The \$17.5 million settlement will become final upon dismissal of a case against Delta Re's former parent company, National Distillers and Chemical Corp. (currently known as Millennium Petrochemicals Inc.) and officers and directors who managed Delta Re from the early 1970s until its 1983 sale to Delta Holdings Inc. The case is pending before the U.S. District Court for the Southern District of New York.

Proceeds from the settlement will be included in assets to be distributed to Delta Re's creditors. This settlement, together with a \$6.6 settlement in 2000 with entities and individuals that managed Delta Re after its 1983 sale, brings to an end all cases against former management.

Commissioner Miller said all approved claims by Delta Re creditors will be paid by the estate. Under the liquidator's stewardship, Delta Re's assets of \$38 million in 1985 have been increased through reinsurance and other collections combined with investment income. To date, dividends have been paid on about \$335 million in approved claims by Delta Re creditors, about 650 insurance and reinsurance companies. There are no individual or direct policyholders.

Claims against Sperry Insurance Co., Ltd., a company that reinsured Delta Re, remain ongoing in the New York court.>

Delta Re timeline

1965 -- Delta Re, formerly known as Elkhorn Re Insurance Co. and Elkhorn Insurance Co., was incorporated in Kentucky to insure and reinsure the risks of its parent company, National Distillers and Chemical Corp., since known as Quantum Chemical Corp. and currently known as Millennium Petrochemicals Inc.

Late 1970s -- Delta Re began assuming property and casualty risks from other insurance and reinsurance companies.

1983 -- National Distillers sold Delta Re (then known as Elkhorn Re Insurance Co.) to Delta Holdings Inc., a company owned by several Fortune 500 companies, and transferred National Distillers' captive risks from Delta Re to another insurance company subsidiary.

1985 -- Delta was placed in liquidation by the Franklin County Circuit Court.

1997 -- The Franklin Circuit Court approved an initial dividend rate of 70 percent that allowed creditors to receive initial dividends equal to 70 percent of their approved claims, subject to deductions for any balances owed to Delta Re's estate.

2000 -- In April litigation involving company management after its 1983 sale to Delta Holdings was settled. Judge Graham approved an agreement that called for \$6.6 million to be paid to the estate. In December the court approved a second dividend payment which allowed creditors to receive an additional 30 percent of their approved claims.

2001 -- Judge Graham approved a \$17.5 million settlement resolving a case against Delta Re's parent company and managers who operated the company from the late 1970s to 1983.